

Committee on Ways and Means

H.R. 6408, Tax Relief and Health Care Act of 2006

Robust Growth in Medicare Advantage Renders Stabilization Fund Unnecessary Under the Current Payment System

Seniors Have Enormous Choice; Program Experiencing Unprecedented Enrollment

- In 1999, Medicare Advantage (MA) plans began to leave the Medicare program, leaving many seniors without an alternative to the traditional fee-for-service program. This trend continued for a number of years.
- In order to strengthen the MA program, the *Medicare Modernization Act* (MMA) sought to provide beneficiaries with greater options in receiving their health benefits through an integrated plan. Specifically, MMA increased payments to MA plans beginning in 2004 and established a \$10 billion Stabilization Fund. This fund could be accessed by the Secretary of HHS from 2007-2013 solely for the purposes of attracting plans to the MA program and to prevent plans from leaving the MA program. There are strict limitations governing when the Secretary can access these funds.
- The payment changes made by the MMA have strengthened the MA program, thereby increasing enrollment in, and availability of, MA plans.
 - According to America's Health Insurance Plans (AHIP), 6.7 million beneficiaries are currently enrolled in an MA plan. This represents an increase of 2 million (30 percent) since enactment of MMA.
 - In 2003, just 54 percent of seniors had access to a MA plan. Today, nearly 100 percent of beneficiaries have access to at least two MA plans. In fact, the average county provides seniors with a choice of 12 MA plans. Clearly, attracting plans to the MA program today is not an issue.
- The Secretary of HHS has indicated that he has no intention or need to access the Stabilization Fund next year, the first year that it is available.
- The *Tax Relief and Health Care Act of 2006* limits the use of the Stabilization Fund for the next five years, but leaves the Fund untouched beyond October 1, 2011.